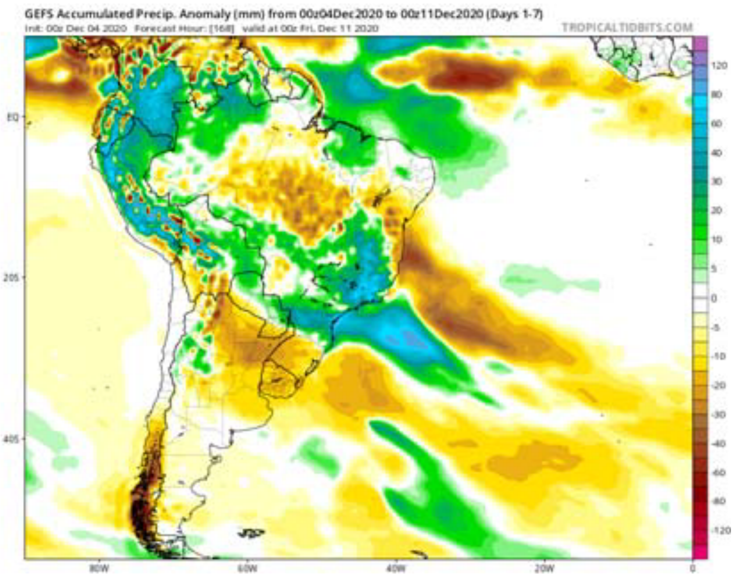
We return after the US Thanksgiving holiday shortened week to see US soybean and corn markets slip lower before picking up in Thursday trade. Chicago wheat on the other hand continued to ease lower through the week.



We continue to see S American weather as the largest threat at the present time with La Niña influences presenting a drier than normal trend in the forecast for Argentina and S Brazil while potentially bringing better precipitation to central Brail where it has been the driest. This pattern shift is expected by the end of the weekend and is allegedly going to be the dominant pattern for a good part of the growing season. Clearly this is adversely impacting crops specifically in Argentina and S Brazil.

Thursday’s push higher in soybeans (after the earlier easing in prices) was largely driven by a further rally in global vegetable oil prices and suggestions that China is showing renewed interest in US soybean supplies. This has added support to prices, which remain above key moving averages, and also sees the price uptrend remain intact.

In similar fashion, corn prices have also recovered from their post-Thanksgiving easing as US export pace remains above current USDA forecasts (which are already at a record level). News/rumours of China being about to issue further import licences has helped to put some additional support into the market. As with soybeans, the La Niña influence in Argentina and S Brazil is having a negative impact on corn output projections with the early Argentine crop rated as good/excellent standing at 34%, which is two points down week on week, and compares with 55% good/excellent last year. Weather forecasts add little in the way of optimism for improvement in the near to medium term with the crop due to begin pollination around mid-month.

Wheat markets have seen something of a counter-trend to corn and soybeans with prices lower, particularly in the UK and Europe. Recent hikes in European prices could well have been overdone leaving the region somewhat expensive in relation to other major exporters, hence the correction being somewhat deeper. Our belief is that this latest price dip could well entice buyers, particularly as competing corn prices have not followed, and these lower levels could well be short lived. This view is also supported by concerns over weather conditions in Russia where we heard that 22% of their crop was rated as poor, the worst level in the last seven years. Record plantings may well overcome some of the potential crop decline, but this will surely be driven more by overwintering conditions and it will be spring when the crop breaks dormancy that we will get a better idea.

All in all, it has been an interesting return to the full working week with an initial pull back in prices but a resumption of the upward trend appearing to gain the upper hand in corn and soybeans. Our lean remains friendly to beans and corn, and we struggle to put a bearish stance on wheat despite ample global supplies.